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25X1A2g

COUNTRY China

DATE DISTR. 23 November 1948

SUBJECT Economic Information: Chinese Communist Policies during Five-Month Occupation of Liaoyang
25X1A6a

NO. OF PAGES 2

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1. Chinese Communists occupied the town of Liaoyang (123-12,41-16) for five months from February to 14 July 1948. During this period they were able to enforce certain economic control measures although a full program of reform was not carried out because the authorities believed Liaoyang might be reoccupied by the Nationalists. After the re-occupation of the town by the Nationalists, a number of notices were found which indicated that the Communists had not ordered a "scorched earth" policy upon their withdrawal as they believed they would again occupy the town.

Industrial Plants

2. The textile mill, which had been equipped with 50,000 spindles, had 20,000 spindles remaining when the Nationalists re-occupied Liaoyang; the cement factory and hemp factory were left in operating condition. None of these factories could be operated by the Nationalists, however, because there was no electric power. The Communists had used power from Anshan but this had been cut off when they withdrew.

Financial Information

3. Bank notes used by the Chinese Communists were those issued by the Northeast Bank in 1946 and 1947 and were in denominations of 10,100, 250, 500 and 1,000 yuan. Cashier checks, drawn on the Liaonan Trading Company, in denominations of 2,000; 3,000; 5,000 and 10,000 yuan were used for large transactions. When the Nationalists entered the town, the authorities immediately announced that Communist notes would not be accepted. However, a few days later, merchants from Mukden and other near-by areas where there was trade with Communist-held towns began coming to Liaoyang to buy up the Communist currency. The exchange at first was one Communist yuan to five Nationalist yuan (Northeast currency) and later, one Communist yuan to eight Nationalist yuan.

Trade Control

4. Soon after the Communist occupation a Trade Control Bureau was established. The Bureau controlled the Liaoyang Trading Company and a local branch of the Liaonan Customs. The trading company purchased gold, silver, opium and

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Document No. 004
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Class. CHANGED TO: TS
DDA Memo. 4 Apr 77
Auth: DIA/C. 77-1763
Date: 11 MAR 1978

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salt from Wafangtien (122-02,39-38) and Kaiping (122-22,40-24). These items were brought to Liaoyang and exchanged for cotton, cotton goods, machine parts and medicines. The salt was taken across the Taitzu River where it was exchanged for cereals. The Liaoyang Customs charged import and export duty on all produce entering and leaving the town. The Trade Bureau encouraged local merchants to travel to Mukden and other Nationalist-held towns to buy certain needed items - mostly medicines. A merchant could make 300 per cent profit if he returned to Liaoyang with sulfa and penicillin.

Taxation

5. Because of the Communist belief that Liaoyang would be captured again by the Nationalists, they did not put into effect their full taxation policy. Since the small trading companies were effectively controlled by the Liaoyang Trading Company and the larger companies were removed from private ownership and there were no luxury items to be taxed, the only remaining tax was that on land - 500 catties of grain per 10 mou of land.

Land Distribution

6. The Communist policy on land re-distribution was not rigid; rather it was haphazard and unscientific as the Communists themselves admitted before they left. Those persons owning more than 20 or 30 mou of land - the amount depended upon the productive value of the land - were ordered to give up their surplus. The landless were then registered and given an opportunity to take over as much of the surplus land as they thought they could work. Being inexperienced, the new owner could not work the land as effectively as the former owner and the total yield for all the land in the area was far less than it had been under the former system.
7. In general, the Nationalists authorities found the people of Liaoyang apathetic regarding reconstruction projects as they had been on the point of starvation for the last weeks of the Communist occupation. Although Liaoyang hsien and the surrounding country has always been a large food-producing area, the Communists had requisitioned so much food for trading purposes that there were no stocks left and the Nationalists were faced with the immediate problem of feeding the people. Since the Nationalists re-occupied Liaoyang just before the harvest, the problem of the right to the harvest was added to the other pressing problems including the rightful ownership of the land. The situation was not helped when it was discovered that the authorities had two conflicting sets of regulations on the subject. It was finally decided that the new owners could retain two-thirds of the harvest and the original owner would get one-third of the harvest out of which amount he would pay the land tax. This decision was soon reversed by General WANG Tieh-han, Governor of Liaoning, who declared that the "poor" farmer (new owner) would retain all the harvest. A Nationalist Land Reform Research Committee is now working on a land reform program which will have to be approved by higher authorities. No decision on the part of Nationalist authorities as to the ownership of land had been reached by 1 August 1948.

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